Conference Call on
Financial Results for the Fiscal Year Ended March 31, 2016:
Summary of Q&A

Date: May 13, 2016, 6:30–7:25 p.m.

* The details have been partially rewritten and revised for easier understanding.

Financial Results Forecasts

Q. Please indicate the assumptions for the market environment you used for making financial results forecasts.

- Our financial results forecasts are based on the market environment as of the end of January 2016 as group-wide assumptions.
- The market environment including interest rates has changed since then, but we still believe we can achieve the financial results forecasts for the current fiscal year by taking measures such as diversifying investment assets, revising insurance premiums, etc.

Q. Have you taken into account last-minute demand before the revision of standard assumed yield in April 2017 for the financial results forecasts for the current fiscal year?

- With regard to the revision of insurance premiums during the current fiscal year, we have taken into account the effect to a certain degree.

Q. Please indicate your outlook for core profit and provision for reserve for policyholder dividends for the current fiscal year.

- We expect decreases in core profit and provision for reserve for policyholder dividends due to the declining trend for the policies in force.

Products and Earnings

Q.	Which products will be subject to the revision when you mentioned about the revision of insurance premiums during the current period that has already been taken into account in the financial results forecasts?

- For more details about the products subject to the revision of insurance premiums, we will inform you separately at a later date.

Q.	Please explain about the impact of an increase in the limit on the coverage amount effective from April this year.

- Our sales activities have made a good start since the beginning of this fiscal year.

- As a result of the increase in the limit on the coverage amount, we are now able to respond to customer needs for large death benefits, which we could not respond previously under the conditions of maximum limit at ¥13,000,000 after 4 years since start of coverage for age 20–55. This is expected to have a positive impact on the management, because this serves our sales policy of stimulating customers' coverage needs, including our medical care riders.

- Over the medium and long term, we expect it will contribute to the retention and expansion of a young and middle-aged customer base who have relatively more needs for death benefits.

Q.	How many policies have been contracted at around the limit on coverage amount?

- Of the slightly less than 24 million insured persons as of the end of March 2016, approximately 500 thousand have over ¥10,000,000 coverage, and approximately 420 thousand aged from 20 to 55, who are subject to the limit increase.

Q.	Please indicate your outlook for new policy sales for the current fiscal year.

- We successfully achieved growth in acquiring new policies during the previous fiscal year. With contracted monthly insurance premiums from new policies amounting to ¥51.0 billion, we were able to achieve the target of the medium-term management plan, that is, reaching the ¥50.0 billion level, one year ahead of schedule.

- We do not execute rolling planning for the medium-term management plan and have no plan to announce a new target for contracted monthly insurance premiums from new policies. Even so, we will pursue a further increase during the current fiscal year.

Q. Is it appropriate to assume an increase of commissions?

- Given steady growth in new policy sales through post offices, we expect a moderate increase in commissions as well.

Q. Please indicate the impact of the reversal of deferred tax assets resulting from the reduction in the corporate tax rate.

- There was a negative impact of approximately ¥7.0 billion on net income for the fiscal year ended March 31, 2016.

Investments

Q. To what extent do you plan to increase the proportion of risk assets during the current fiscal year?

- There is no change in our plan to increase risk assets up to about 10% of total assets during the medium-term management plan period. We intend to act flexibly to changes in the market environment.

Q. Please indicate the impact of negative interest rate policy on investment income for the current fiscal year.

- We project a moderate decrease in investment income as a result of decreases in total assets and interest rates.

Q. Please indicate the outlook for net capital gains for the current fiscal year.

- We expect a decrease in net capital gains as a result of limited transactions of policy-reserve-matching bonds as well as an increase in hedging costs for foreign exchange risk due to purchases of hedged foreign bonds.

Q. Please indicate the hedging ratio for foreign exchange risk of foreign bonds.

- Roughly 50% of foreign bonds are being hedged for foreign exchange risk as of the end of March 2016.

EV / ESR

Q. Please explain the concept of the Ultimate Forward Rate (UFR). What effect would it have if applied to the EV calculation?

- It is a method to extrapolate long-term interest rates to evaluate insurance liabilities (risk-free rates) by setting an interest rate converges to at the pre-specified maturity.

- The International Association of Insurance Supervisors (IAIS) and the EU Solvency II Directive consider the extrapolation of long-term interest rates to apply the UFR, and the levels are under discussions.

- In view of recent changes in the interest rate environment, other insurance companies, the regulatory environment, etc., we are now considering the application of UFR to our EV in a positive manner. The relevant information will be disclosed when we are all set.

- We expect our EV would be calculated in larger amount if the method of UFR is applied.

Q. Please indicate parameters (UFR level, convergence period, etc.) that you will use when applying the UFR.

- Their details including specific calculation methods are under consideration at the moment.

Q. Please indicate the value of new business calculated based on economic assumptions as of the end of March 2016, instead of the end of September 2015.

- We did not calculate the value of new business based on the assumptions as of the end of March 2016. Please refer to the sensitivity analysis results in the EV Report to be disclosed.

Q. Is it appropriate to assume that the sale of products with a negative value for new business would be terminated?

- The value of new business depends on the assumptions used at the time of calculation. We thus do not have intentions to immediately terminate the sales of a product due to a temporary decline in the value.

- Regarding products whose profitability is less likely to fully improve even after the change of assumed rate of return, we will consider a limitation or termination of the sales of the products.

- Going forward, we will secure profitability of products by ensuring a stable positive spreads on the asset side while revising insurance premiums on the liability side.

Q. The EV has decreased by roughly ¥1 trillion since the end of December 2015. Please indicate the impact of volatility change to the EV?

- Compared to the impact of interest rate change to EV, the impact of volatility change is not so significant. For more details, please refer to the EV Report to be disclosed.

Q. I understand that the EV is most sensitive to fluctuations in over 20-year interest rates[1]. However, the EV as of the end of March 2016 seems to be more vulnerable to the rates for a little longer than those rates. I would like to know the details of factors behind the decrease in the EV.

1 Please refer to "3Q 2015 Financial Results Conference Call Q&A."

- As major factors behind the decrease in the EV, we regard: (1) flattened yield curves, and (2) the degree of interest rate decline.

- With respect to flattened yield curves, a 20-year bond yield dropped by 70 bps; a 30-year yield dropped even further by 80–90 bps. Some variances have arisen, which cannot be captured by sensitivity analysis results based on parallel shift (that have been disclosed in the EV Report).

- As to the degree of interest rate decline, interest rates dropped by more than 50 bps interest rate sensitivity analysis (on a parallel shift basis) that were disclosed in the EV Report. In this situation, it is impossible to carry out a trial calculation of the EV accurately even if a simple straight-line extrapolation is made from the results of sensitivity analysis. Therefore, given that the EV is more sensitive to lowering interest rates than rising interest rates, we think the results should be close to an accurate EV.

Q. Please indicate the ESR level as of the end of March 2016.

- We presume the ESR has declined in proportion to the recent market environment. But we would rather not disclose it today as its calculation is under way at the moment.

Shareholder Returns

Q. Does the ESR level, which presumably declined correspondingly, affect your stock buy-back policy?

- We will make comprehensive judgments and decisions on shareholder returns while considering earnings prospects, financial soundness and the balance between shareholder and policyholder dividends.

- Accordingly, with the target payout ratio of 30% to 50% under the medium-term management plan at this point, there is no change in our policy for a steady increase in dividend per share, and we will not change this policy just because the ESR has declined.

Q. A dividend increase is forecasted for the fiscal year ending March 31, 2017. Is it appropriate to expect the dividend increase trend to continue during the period of the medium-term management plan?

- For the fiscal year ending March 31, 2017, we will pay out a commemorative dividend for the 100th anniversary of ¥2 and a dividend increase of ¥2, for a total dividend of ¥60 per share.

- In accordance with the dividend policy we have already indicated, we intend to maintain stable growth in the dividend per share.